

**UNIONVILLE-SEBEWAING  
AREA SCHOOLS  
SEBEWAING, MICHIGAN**

**FINANCIAL REPORT  
JUNE 30, 2008**

# **UNIONVILLE-SEBEWAING AREA SCHOOLS**

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CPA's On Your Team

## REPORT OF INDEPENDENT AUDITORS

To The Board of Education  
Unionville-Sebewaing Area Schools  
Sebewaing, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Unionville-Sebewaing Area Schools, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Unionville-Sebewaing Area School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Unionville-Sebewaing Area Schools as of June 30, 2008 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2008, on our consideration of Unionville-Sebewaing Area School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

(Continued)

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Circular 230 Disclosure: To the extent the above contains an opinion on one or more federal tax issues, such opinion was not written to be used and cannot be used for the purpose of avoiding penalties.

## REPORT OF INDEPENDENT AUDITORS

The management's discussion and analysis and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Unionville-Sebewaing Area School's basic financial statements. The additional information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Unionville-Sebewaing Area Schools. The additional information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nietzke & Faupel P.C.*

NIETZKE & FAUPEL, P.C.  
SEBEWAING, MICHIGAN

August 15, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Unionville-Sebewaing Area School's (USA) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the district's financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

The General fund showed expenditures greater than revenues by \$99,607.

The Athletic fund showed expenditures greater than revenue by \$10,506.

The Food Service fund showed expenditures greater than revenue by \$24,847.

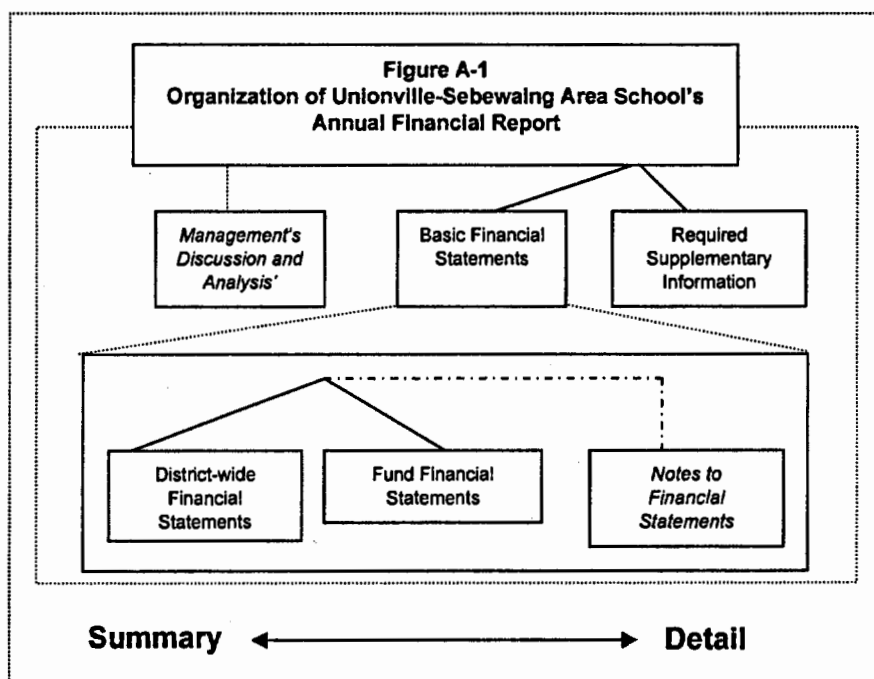
### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.

The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short term* as well as what remains for future spending.



Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-2  
Major Features of District-Wide and Fund Financial Statements**

	<u>District-wide Statements</u>	<u>Fund Financial Statements</u>	
		<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Unionville-Sebewaing Area Schools funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

## **DISTRICT-WIDE STATEMENTS**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include *all* of the District's assets and liabilities. All of the revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

Some funds are required by State law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

Government funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net Assets** – District net assets decreased during fiscal 2008. Depreciation of District assets was \$632,213 for the year and impacts net assets. The District acquired a QZAB Energy Bond in the amount of \$50,000 for a major roof repair which totaled \$46,449. The remaining amount will be used to repay the loan.

**Table A-3**  
**Unionville-Sebewaing Area Schools**

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 3,149,892	\$ 3,423,321
Capital assets, less accumulated depreciation	<u>18,597,655</u>	<u>18,814,847</u>
Total assets	<u>\$21,747,549</u>	<u>\$22,238,170</u>
Long-term debt outstanding	\$13,535,632	\$14,185,258
Other liabilities	<u>2,976,402</u>	<u>2,759,072</u>
Total liabilities	<u>\$16,512,033</u>	<u>\$16,944,330</u>
Net assets:		
Invested in capital assets net of related debt	\$ 4,146,744	\$ 4,109,948
Restricted	318,548	252,839
Unrestricted	<u>770,225</u>	<u>931,053</u>
Total net assets	<u>\$ 5,235,516</u>	<u>\$ 5,293,840</u>

**Table A-4**  
**Changes in Unionville-Sebewaing Area School's Net Assets**

	<u>2008</u>	<u>2007</u>
Revenues		
Program revenues		
Charges for services	\$ 254,236	\$ 276,723
Federal and state categorical grants	551,459	553,124
General revenues		
Property taxes	1,953,681	1,821,726
State aid – unrestricted	5,576,893	5,852,931
Other	<u>142,701</u>	<u>118,987</u>
Total revenues	<u>8,478,970</u>	<u>8,623,491</u>
Expenses		
Instruction	4,554,054	4,546,960
Support services	2,692,535	2,765,017
Food services	376,493	368,246
Athletics	226,453	244,773
Interest on long-term debt	658,918	660,118
Unallocated depreciation	<u>28,843</u>	<u>28,843</u>
Total expenses	<u>8,537,296</u>	<u>8,613,957</u>
Change in net assets	<u>\$ (58,324)</u>	<u>\$ 9,534</u>

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

A decrease in the District's combined fund balances was anticipated. Overall, the combined fund balances decreased from 13% to 12% of yearly expenditures.

### General Fund and Budget Highlights

During the 2008 fiscal year the District's original budget was amended twice to reflect the changes that had an impact on the District.

Initial budget amendments took place in February to reflect the actual student counts, foundation amount, the impact of staffing changes, and the anticipated increase in fuel costs. Additional amendments took place in June which reflected reductions in spending for the year.

Original revenues were budgeted at \$6,855,138 and the actual revenue amount was \$6,770,047. The original budget amount for expenditures and transfers was \$6,908,665 and the actual figure was \$6,869,654. The \$99,607 deficit of expenditures over revenues is higher than the anticipated deficit of \$53,527 due to a decrease in anticipated revenue.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

Capital purchases by the District in 2008 was \$46,449 for a roof.

**Table A-5**  
**Unionville-Sebewaing Area Schools Capital Assets**  
**(Net of Depreciation)**

	<u>2008</u>	<u>2007</u>
Land	\$ 491,700	\$ 491,700
Buildings and additions	17,273,633	17,710,604
Furniture and equipment	358,102	445,340
Transportation equipment	105,648	167,203
Totals	<u>\$18,229,083</u>	<u>\$18,814,847</u>

### Long-term Debt

At year-end the District had over \$14.4 million in general obligation bonds and other long-term debt outstanding. This amount was about \$14.9 million for fiscal 2007. During fiscal 2008, the District repaid \$860,474 in principal, but also issued \$247,790 in new borrowings.

## FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several factors that could have a major impact on the 2009 fiscal year and beyond.

The Governor proposed an increase of \$226 dollars in the per pupil funding amount. The State Aid Bill passed with an increase of only \$112 per pupil. This came as a result of decreased revenues in the State due in large part to the depressed economic climate.

<b>Table A-6</b>		
<b>Unionville-Sebewaing Area Schools Outstanding Current and Long-term debt</b>		
	<u><b>2008</b></u>	<u><b>2007</b></u>
General obligation debts (financed with property taxes)	\$13,620,000	\$14,270,000
School bond Loan Fund	419,520	341,730
Other	<u>329,749</u>	<u>370,223</u>
Totals	<u><b>\$14,369,269</b></u>	<u><b>\$14,981,953</b></u>

Declining enrollment for most local school districts along with the national and state recession is expected to lead to a reduction in revenue for schools. Schools must plan accordingly by controlling expenses and implementing severe budget cuts.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Superintendent John "Kip" Walker, Ph.D. at 2203 Wildner Road, Sebewaing, MI 48759.

## **BASIC FINANCIAL STATEMENTS**

**UNIONVILLE-SEBEWAING AREA SCHOOLS**

**STATEMENT OF NET ASSETS  
JUNE 30, 2008**

		<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and deposits		\$ 742,205
Investments		1,331,650
Accounts receivable		1,072,998
Prepaid expenses		3,039
<b>TOTAL CURRENT ASSETS</b>		<u>3,149,892</u>
<b>NON-CURRENT ASSETS:</b>		
Bond issue costs		430,000
Less: Accumulated amortization		(61,428)
Nondepreciated capital assets		491,700
Depreciated capital assets		27,572,658
Less: Accumulated depreciation		<u>(9,835,275)</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>18,597,655</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 21,747,549</u></u>

# UNIONVILLE-SEBEWAING AREA SCHOOLS

## STATEMENT OF NET ASSETS JUNE 30, 2008

	GOVERNMENTAL ACTIVITIES
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 33,194
Accrued salaries and wages	453,840
Accrued teacher benefits	56,452
Accrued interest payable	134,035
Prepaid meals	6,383
Deferred revenue	54,943
Revenue anticipation notes payable	1,400,000
Current portion of long-term obligations	837,554
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>2,976,402</u></b>
<b>NON-CURRENT LIABILITIES:</b>	
Premium on bond refunding	4,571
Less: Accumulated amortization	(654)
Limited obligation bond - Durant	28,940
Due to school bond loan fund	419,520
Bonds and QZAB bonds payable	13,620,000
Bus notes payable	42,819
Early retirement payable	80,000
Compensated absences	177,990
Less: Current portion of long-term obligations	(837,554)
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b><u>13,535,632</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>16,512,033</u></b>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	4,146,744
Restricted for:	
Debt service	317,020
Capital projects	1,528
Unrestricted	770,225
<b>TOTAL NET ASSETS</b>	<b><u>5,235,516</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 21,747,549</u></b>

**UNIONVILLE-SEBEWAING AREA SCHOOLS**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

FUNCTIONS/PROGRAMS	EXPENSES	Program Revenues		TOTAL GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS	Net (expense) revenue and changes in net assets
<b>Governmental activities:</b>				
Instruction	\$ 4,554,054	\$ 25,402	\$ 334,325	\$ (4,194,327)
Support services	2,692,535		34,673	(2,657,862)
Food service	376,493	161,602	182,461	(32,431)
Athletics	226,453	67,232		(159,220)
Interest on long-term obligations	658,918			(658,918)
Depreciation - Unallocated	28,843			(28,843)
<b>Total governmental activities:</b>	<u>\$ 8,537,296</u>	<u>\$ 254,236</u>	<u>\$ 551,459</u>	<u>(7,731,599)</u>
<b>General revenues:</b>				
Property taxes, levied for general purposes				702,803
Property taxes, levied for debt service				1,250,878
State aid				5,576,893
Investment earnings				66,738
Miscellaneous				<u>75,963</u>
<b>Total General Revenues</b>				<u>7,673,275</u>
<b>CHANGE IN NET ASSETS</b>				<u>(58,324)</u>
<b>NET ASSETS - beginning of year</b>				5,293,840
<b>NET ASSETS - end of year</b>				<u>\$ 5,235,516</u>

# UNIONVILLE-SEBEWAING AREA SCHOOLS

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2008

	<u>GENERAL</u>	<u>DEBT RETIREMENT</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>				
Cash and deposits	\$ 340,646	\$ 317,020	\$ 34,539	\$ 692,205
Certificates of deposit			50,000	50,000
Investments	1,331,650			1,331,650
Accounts receivable	1,072,998			1,072,998
Due from other funds	-	-	1,704	1,704
Prepaid expenses	3,039			3,039
<b>TOTAL ASSETS</b>	<u>\$ 2,748,333</u>	<u>\$ 317,020</u>	<u>\$ 86,243</u>	<u>\$ 3,151,596</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 33,194			\$ 33,194
Due to other funds	1,704		-	1,704
Accrued salaries and wages	453,840			453,840
Accrued teacher benefits	56,452			56,452
Accrued interest payable	44,364			44,364
Prepaid meals			6,383	6,383
Deferred revenue	54,943			54,943
Revenue anticipation notes payable	1,400,000			1,400,000
<b>TOTAL LIABILITIES</b>	<u>2,044,497</u>		<u>6,383</u>	<u>2,050,881</u>
<b>FUND BALANCE:</b>				
Unreserved	703,836	\$ 317,020	79,860	1,100,716
<b>TOTAL FUND BALANCE</b>	<u>703,836</u>	<u>317,020</u>	<u>79,860</u>	<u>1,100,716</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 2,748,333</u>	<u>\$ 317,020</u>	<u>\$ 86,243</u>	<u>\$ 3,151,596</u>

**UNIONVILLE-SEBEWAING AREA SCHOOLS**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO  
GOVERNMENTAL ACTIVITIES NET ASSETS  
JUNE 30, 2008**

**TOTAL GOVERNMENTAL FUND BALANCES** **\$ 1,100,716**

**Amounts reported for governmental activities in the statement of net assets are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 28,064,358	
Accumulated depreciation is	<u>(9,835,275)</u>	18,229,083

Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	13,620,000	
Bus notes payable	42,819	
School Bond Loan Fund	419,520	
Limited obligation bond - Durant	28,940	
Early retirement payable	80,000	
Compensated absences	177,990	
Accrued interest payable on Long-term Obligations	<u>89,671</u>	(14,458,940)

Certain transactions related to the advance refunding of the 2001 bonds are reported as revenue and expenditures in the fund financial statements, however they are reported as assets or liabilities in the government-wide financial statements.

The transactions include the following:

Bond issue costs	430,000	
Less: Accumulated amortization	<u>(61,428)</u>	368,572
Premium on bond refunding	(4,571)	
Less: Accumulated amortization	<u>654</u>	(3,917)

**NET ASSETS - GOVERNMENTAL ACTIVITIES** **\$ 5,235,516**

**UNIONVILLE-SEBEWAING AREA SCHOOLS**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>GENERAL</u>	<u>DEBT RETIREMENT</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUE:</b>				
Local sources:				
Taxes	\$ 702,803	\$ 1,250,878		\$ 1,953,681
Food service			\$ 164,063	164,063
Athletics			67,434	67,434
Special education billback	24,764			24,764
Other local revenue	96,589	11,213	77	107,879
State sources:				
State school aid-Restricted	237,545		31,331	268,876
Other state aid revenue	5,339,348			5,339,348
Federal sources	368,998		151,130	520,128
<b>TOTAL REVENUE</b>	<u>6,770,047</u>	<u>1,262,091</u>	<u>414,035</u>	<u>8,446,173</u>
<b>EXPENDITURES:</b>				
Current:				
Education:				
Instruction	4,141,366			4,141,366
Supporting services	2,526,062			2,526,062
Food service			371,370	371,370
Athletics			224,331	224,331
Capital projects			48,549	48,549
Debt service:				
Principal repayment	21,410	700,000		721,410
Interest and fiscal charges	67,223	558,274		625,497
<b>TOTAL EXPENDITURES</b>	<u>6,756,060</u>	<u>1,258,274</u>	<u>644,250</u>	<u>8,658,585</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>13,986</u>	<u>3,818</u>	<u>(230,215)</u>	<u>(212,411)</u>

**UNIONVILLE-SEBEWAING AREA SCHOOLS**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>GENERAL</u>	<u>DEBT RETIREMENT</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from insurance claim	32,798			32,798
Loan proceeds		60,363	50,000	110,363
Operating transfers to other funds	(146,391)		146,391	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(113,593)</u>	<u>60,363</u>	<u>196,391</u>	<u>143,161</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>(99,607)</u>	<u>64,181</u>	<u>(33,825)</u>	<u>(69,250)</u>
<b>FUND BALANCE - JULY 1</b>	803,443	252,839	113,685	1,169,967
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 703,836</u>	<u>\$ 317,020</u>	<u>\$ 79,860</u>	<u>\$ 1,100,716</u>

# UNIONVILLE-SEBEWAING AREA SCHOOLS

## RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (69,250)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Depreciation Expense	\$ (632,213)	
Capital Outlays	<u>46,449</u>	(585,764)

In the statement of activities special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Retirement incentives - beginning of year		
Retirement incentives - end of year	<u>(80,000)</u>	(80,000)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. 700,000

Certain transactions related to the advance refunding of the 2001 bonds are reported as revenue and expenditures in the fund financial statements, however they are reported as assets or liabilities in the government-wide financial statements. The transactions include the following:

Amortization of bond premium	218	
Amortization of bond issuance costs	<u>(20,476)</u>	(20,258)

2007 QZAB Bond proceeds are reported as revenue in the fund financial statements, however it is reported as a liability in the government-wide financial statements. (50,000)

Bus note repayments and proceeds affect long term liabilities in the statement of net assets and does not affect the statement of activities.

Proceeds from bus note	-	
Repayment of bus note principal	<u>21,410</u>	21,410

Proceeds from School Bond Loan Fund affect long term liabilities in the statement of net assets and do not affect the statement of activities. Interest of \$17,428 is added to the principal. (77,791)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

Accrued interest payable - beginning of year	93,936	
Accrued interest payable - end of year	<u>(89,671)</u>	4,265

Accrued compensated absences are recorded in the statement of activities when incurred, but it is not recorded in the governmental funds until it is paid.

Accrued compensated absences - beginning of year	277,054	
Accrued compensated absences - end of year	<u>(177,990)</u>	99,064

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (58,324)

**UNIONVILLE-SEBEWAING AREA SCHOOLS**

**STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008**

	<b>AGENCY FUNDS</b>
<b>ASSETS</b>	
Cash and equivalents	\$ 43,253
<b>TOTAL ASSETS</b>	<u>\$ 43,253</u>
<b>LIABILITIES:</b>	
Due to student groups	\$ 43,253
<b>TOTAL LIABILITIES</b>	<u>\$ 43,253</u>

# **UNIONVILLE-SEBEWAING AREA SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2008**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Unionville-Sebewaing Area School District is a consolidated school system located in Huron and Tuscola Counties, Michigan. The School has approximately 804 students in grades kindergarten through twelve. The school operates under a seven person elected Board of Education.

The basic financial statements of the Unionville-Sebewaing Area School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

#### **The Reporting Entity:**

The Unionville-Sebewaing Area Schools (the "District") is governed by the Unionville-Sebewaing Area Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

#### **Government-Wide and Fund Financial Statements:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. State Foundation Aid, taxes, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

# **UNIONVILLE-SEBEWAING AREA SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2008**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

#### **Government-Wide and Fund Financial Statements: (Continued)**

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, state sources, intermediate district sources, interest income and other revenues.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following **major** governmental funds:

**General Fund** - This fund type is used to account for all financial transactions except those required to be accounted for in another fund. Revenue is derived primarily from property taxes and State and Federal distributions, grants and other intergovernmental revenue.

**Debt Service Fund** - The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

#### **Other Non-major Funds:**

**Capital Projects Fund** – The Capital Projects Fund accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

**Special Revenue Funds** - This fund type is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The combined Special Revenue Fund financial statements include the Food Service and Athletic Service Funds.

# **UNIONVILLE-SEBEWAING AREA SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2008**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

#### **Other Non-major Funds: (Continued)**

**Fiduciary Fund** – This fund accounts for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

**Agency Fund** - This fund accounts for assets held in trust or as an agency for others. The District's Agency Fund is the Student Activity Fund.

#### **Measurement Focus, Basis of Accounting, and Basis of Presentation**

##### **Accrual Method:**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as does the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

##### **Modified Accrual Method:**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

##### **State Revenue:**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the pupil membership counts taken in February and September of 2007.

# **UNIONVILLE-SEBEWAING AREA SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2008**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

#### **Measurement Focus, Basis of Accounting, and Basis of Presentation: (Continued)**

##### **State Revenue: (Continued)**

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30<sup>th</sup> is reported as accounts receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds which are not expended by the close of the fiscal year are recorded as deferred revenue.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

##### **Other Accounting Policies:**

##### **Cash and Equivalents:**

Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

# **UNIONVILLE-SEBEWAING AREA SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2008**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

#### **Property Taxes:**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 15 and February 15, after which time the taxes become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the School District levied the following amounts per \$1,000 of taxable valuation:

<b><u>Fund</u></b>	<b><u>Mills</u></b>
General Fund – Non-homestead	18.0
Debt service fund – Homestead and non-homestead	7.0

#### **Receivables and Payables:**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

#### **Prepaid Expenses:**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

#### **Capital Assets:**

The District's capitalization policy is to capitalize assets with an initial individual cost of \$3,000 or more. Group purchases are evaluated on a case by case basis.

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with initial, individual cost of \$3,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Improvements, buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

# **UNIONVILLE-SEBEWAING AREA SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2008**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

#### **Other Accounting Policies: (Continued)**

#### **Capital Assets: (Continued)**

<b><u>Assets</u></b>	<b><u>Years</u></b>
Buildings and additions	50
Furniture and other equipment	5-20

#### **Compensated Absences:**

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

#### **Long-Term Debt:**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **Use of Estimates:**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

### **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

(Continued)

# **UNIONVILLE-SEBEWAING AREA SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2008**

### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY: (CONTINUED)**

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to July 1, the budget is legally enacted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.

### **NOTE 3 – DEPOSITS AND INVESTMENTS:**

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

#### **Statement of Net Assets**

##### **Government-wide Financial Statement Captions:**

Cash and deposits	\$ 692,205
Certificates of deposits	50,000
Investments	1,331,650

#### **Statement of Fiduciary Net Assets**

Cash and cash equivalents	43,253
Total	<u>\$2,117,108</u>

#### **Notes to Financial Statements:**

Deposits	\$ 785,115
Cash on hand	343
Investments	1,331,650
Total	<u>\$2,117,108</u>

# UNIONVILLE-SEBEWAING AREA SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 3 – DEPOSITS AND INVESTMENTS: (CONTINUED)

As of June 30, 2008, the District had the following investments.

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>WEIGHTED AVERAGE MATURITY (YEARS)</u>	<u>STANDARD &amp; POOR'S RATING</u>	<u>%</u>
MILAF External Investment pool-MIMAX	<u>\$1,331,650</u>	0.0027	AAAm	<u>100%</u>
Total fair value	<u>\$1,331,650</u>			<u>100%</u>

Portfolio weighted average maturity 0.0027

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2008, the fair value of the District's investments is the same as the value of the pool shares.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

# UNIONVILLE-SEBEWAING AREA SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 3 – DEPOSITS AND INVESTMENTS: (CONTINUED)

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$792,021 of the District's bank balance of \$1,042,021 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. Included in the totals above are certificates of deposit of \$50,000 and other interest bearing deposits.

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

### NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund		\$1,704
Special Revenue Fund:		
Food Service	\$1,704	
<b>Total</b>	<u>\$1,704</u>	<u>\$1,704</u>

For the fiscal year ended June 30, 2008, the General Fund owed the Food Service fund for salaries and benefit payments.

### NOTE 5 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>BALANCE JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2008</u>
Capital Assets:				
Land	\$ 491,700			\$ 491,700
Buildings and Additions	23,942,890	\$46,449		23,989,339
Site Improvements	1,516,920			1,516,920
Equipment and Fixtures	1,310,229			1,310,229
Vehicles other than Buses	61,777			61,777
School Buses	<u>694,393</u>			<u>694,393</u>
<b>Total Capital Assets</b>	<u>28,017,909</u>	<u>46,449</u>		<u>28,064,358</u>

(Continued)

# **UNIONVILLE-SEBEWAING AREA SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2008**

### **NOTE 5 – CAPITAL ASSETS: (CONTINUED)**

	<u>BALANCE JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2008</u>
Accumulated Depreciation:				
Buildings and Additions	7,061,557	431,590		7,493,147
Site Improvements	687,649	51,830		739,479
Equipment & Fixtures	864,889	108,189		973,078
Vehicles other than Buses	37,928	2,898		40,826
School Buses	<u>551,039</u>	<u>37,706</u>		<u>588,745</u>
Total Accumulated Depreciation	9,203,062	632,213		9,835,275
Capital Assets-Net	<u>\$18,814,847</u>	<u>\$(585,764)</u>	<u>\$ -</u>	<u>\$18,229,083</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$332,954
Support Services	263,171
Food Service	5,123
Athletics	2,122
Depreciation – Unallocated	<u>28,843</u>
Total Depreciation Expense	<u>\$632,213</u>

### **NOTE 6 –DEFERRED REVENUE**

Deferred revenue reported in the governmental funds at year end consisted of the following:

	<b>GENERAL FUND</b>
At Risk Grant	\$47,063
Preschool Grant	<u>7,880</u>
Total Deferred Revenue	<u>\$54,943</u>

### **NOTE 7 – NOTE PAYABLE:**

At June 30, 2008, the District has outstanding a \$1,400,000 revenue note (state-aid note). The note, which has an interest rate of 3.68%, matures August 20, 2008. The note is secured by the full faith and credit of the District as well as pledged state aid.

<u>BALANCE JUNE 30, 2007</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCE JUNE 30, 2008</u>
\$1,200,000	\$1,400,000	\$1,200,000	\$1,400,000

# UNIONVILLE-SEBEWAING AREA SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 8 – LONG-TERM DEBT AND LOANS PAYABLE:

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

2001 general obligation bonds due in annual installments of \$275,000 through May 1, 2012 with interest at 4.00% to 5.00%.	\$1,100,000
2003 general obligation refunding bonds due in annual installments of \$370,000 to \$540,000 through May 1, 2016 with interest at 2.00% to 3.75%.	3,975,000
2006 general obligation refunding bonds due in annual installments of \$25,000 to \$615,000 through May 1, 2027 with interest at 3.3% to 4.25%.	8,495,000
2007 QZAB Energy Bonds matures November 1, 2017 with zero percent interest. Ten annual payments of \$4,779 are made to a restricted bank account starting November 2008.	50,000
<b>Total general obligation bonds</b>	<b>13,620,000</b>
1998 limited obligation bonds (Durant bonds) due in annual installments of \$3,442 to \$5,917 through May 1, 2016 with interest at 4.76%. Certain state aid payments have been pledged as security.	28,940
Borrowings from the State of Michigan under the school bond loan fund and school loan revolving fund, including interest	419,520
Bus contracts at June 30, 2008 are comprised of the following items:	
\$64,229 November 14, 2006, bus contract due in equal annual principal installments of \$21,410 through November 14, 2009. Interest at 4.75%.	42,819
Early retirement incentives, 4 contract annual installments of \$10,000	80,000
Obligation under contract for compensated absences	177,990
<b>Total general long-term debt</b>	<b><u>\$14,369,269</u></b>

The annual requirements to amortize the long-term obligations as of June 30, 2008, including interest of \$5,057,837 are as follows:

<b>Years ending</b>	<b>Total</b>
<b><u>June 30,</u></b>	
2009	\$ 1,288,543
2010	1,292,167

(Continued)

# UNIONVILLE-SEBEWAING AREA SCHOOLS

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 8 – LONG-TERM DEBT AND LOANS PAYABLE (CONTINUED)

<b>Years ending June 30,</b>	<b>Total</b>
2011	1,279,606
2012	1,287,479
2013	1,295,967
2014-2018	5,683,931
2019-2023	3,920,465
2024-2028	<u>2,701,438</u>
	18,749,596

Borrowings from the State of Michigan under the School Bond Loan Fund, including interest	419,520
Early retirement incentive	80,000
Obligation under contract for compensated absences	177,990
<b>Total general long-term debt and interest</b>	<b><u>\$19,427,106</u></b>

An amount of \$317,020 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2008 was \$658,918. Also, the 1998 limited obligation bonds (Durant bonds) can be paid only through annual appropriations from the State of Michigan.

The following is a summary of the changes in the long-term liabilities during the year ended June 30, 2008:

	<b><u>BALANCE JUNE 30, 2007</u></b>	<b><u>ADDITIONS</u></b>	<b><u>REDUCTIONS</u></b>	<b><u>BALANCE JUNE 30, 2008</u></b>	<b><u>DUE WITHIN ONE YEAR</u></b>
General obligation bonds	\$14,270,000	\$ 50,000	\$700,000	\$13,620,000	\$725,000
Limited obligation bonds	28,940			28,940	
School bond loan fund	341,730	77,790		419,520	
Compensated absences	277,054		99,064	177,990	51,144
Accrued early retirement incentives		120,000	40,000	80,000	40,000
Bus contracts	64,229		21,410	42,819	21,410
Totals	<u>\$14,981,953</u>	<u>\$247,790</u>	<u>\$860,474</u>	<u>\$14,369,269</u>	<u>\$837,554</u>

(Continued)

## **UNIONVILLE-SEBEWAING AREA SCHOOLS**

### **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2008**

#### **NOTE 9 – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:**

**Plan Description** – The District contributes to the Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (517) 322-5103.

**Funding Policy** – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the year ended June 30, 2008, the rate was 17.74% through September 2007 and 16.72% for October 1, 2007 through June 30, 2008. The contribution requirements of the plan members and the District are established and may be amended by the MPERS Board of Trustee. The District contributions to MPERS for the years ended June 30, 2008, 2007 and 2006 were approximately \$651,757, \$701,221 and \$659,911 respectively, equal to the required contribution for the year.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

**Other Postemployment Benefits** – Under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage.

# **UNIONVILLE-SEBEWAING AREA SCHOOLS**

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2008**

### **NOTE 10 – OPERATING LEASES:**

The School District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the unpaid balances of the lease agreements are not reflected in the School District's long-term debt.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2008.

<b>Years ending <u>June 30,</u></b>	<b><u>Amounts</u></b>
2009	\$23,112
2010	23,112
2011	<u>21,186</u>
<b>Total minimum payments required</b>	<b><u>\$67,410</u></b>

### **NOTE 11 – RISK MANAGEMENT:**

#### **General Liability**

The School District participates in the MASB-SEG Property/Casualty Pool, Inc. for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses with a limit of \$2 million per occurrence for real and personal property losses and for personal injury. For automotive liability, the pool constitutes transfer of the risk with a limit of \$2 million for bodily injury and property damage combined. For errors and omissions liability there is a limit of \$2 million in the aggregate. The School District is required to pay an annual premium to the MASB-SEG Property/Casualty Pool, Inc. for the liability coverage. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

#### **Worker's Compensation**

The School District is insured through SEG Workers Compensation Disability Compensation for losses related to workers' compensation claims.

#### **Employee Health Care**

The School District uses MESSA-PAK and SET-SEG for health insurance coverage for its employees and their dependents.

### **NOTE 12 – INTERFUND TRANSFERS:**

During the year ended June 30, 2008, the general fund transferred \$146,391 to the athletic fund to cover wages and employee benefits.

**UNIONVILLE-SEBEWAING AREA SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 13 – SUBSEQUENT EVENTS:**

Subsequent to year-end, the District entered into an agreement to borrow \$1,400,000 in a State aid note bearing interest at 1.70% and maturing August 20, 2009. The note is secured by the full faith and credit of the District as well as pledged state aid.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**ADDITIONAL  
INFORMATION**

**UNIONVILLE-SEBEWAING AREA SCHOOLS**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>			<b>VARIANCE WITH FINAL BUDGET OVER (UNDER)</b>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<b>REVENUE:</b>				
Local sources:				
Taxes	\$ 630,000	\$ 715,000	\$ 702,803	\$ (12,197)
Special education billback	25,000	25,000	24,764	(236)
Sale of fixed assets	2,041	2,041	-	(2,041)
Other local revenue	75,712	93,112	96,589	3,477
State sources:				
State school aid-Restricted	259,427	295,560	237,545	(58,015)
Other state aid revenue	5,495,800	5,326,300	5,339,348	13,048
Federal sources	367,158	416,240	368,998	(47,242)
<b>TOTAL REVENUE</b>	<u>6,855,138</u>	<u>6,873,253</u>	<u>6,770,047</u>	<u>(103,206)</u>
<b>EXPENDITURES:</b>				
Current:				
Education:				
Instruction	4,202,473	4,191,331	4,141,366	49,965
Supporting services	2,547,786	2,575,335	2,526,062	49,273
Debt service:				
Principal repayment	21,410	21,410	21,410	-
Interest and fiscal charges	49,060	67,060	67,223	(163)
<b>TOTAL EXPENDITURES</b>	<u>6,820,729</u>	<u>6,855,136</u>	<u>6,756,060</u>	<u>99,076</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>34,409</u>	<u>18,117</u>	<u>13,986</u>	<u>(4,130)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bus note proceeds	64,229	-	-	
Insurance claim proceeds		32,798	32,798	
Operating transfers to other funds	(152,165)	(155,015)	(146,391)	8,624
<b>TOTAL OTHER FINANCING (USES)</b>	<u>(87,936)</u>	<u>(122,217)</u>	<u>(113,593)</u>	<u>8,624</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES AND OTHER USES</b>	<u>(53,527)</u>	<u>(104,100)</u>	<u>(99,607)</u>	<u>4,494</u>
<b>FUND BALANCE - JULY 1</b>	803,443	803,443	803,443	
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 749,916</u>	<u>\$ 699,343</u>	<u>\$ 703,836</u>	<u>\$ 4,494</u>

**UNIONVILLE-SEBEWAING AREA SCHOOLS**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>FOOD SERVICE</u>	<u>ATHLETIC ACTIVITIES</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS:</b>				
Cash	\$ 30,044	\$ 2,967	\$ 1,528	\$ 34,539
Certificates of deposit	50,000			50,000
Due from general fund	1,704			1,704
<b>TOTAL ASSETS</b>	<u>\$ 81,749</u>	<u>\$ 2,967</u>	<u>\$ 1,528</u>	<u>\$ 86,243</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>				
<b>LIABILITIES</b>				
Prepaid meals	\$ 6,383			\$ 6,383
<b>TOTAL LIABILITIES</b>	6,383			6,383
 <b>FUND BALANCE</b>	 75,365	 \$ 2,967	 \$ 1,528	 79,860
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 81,749</u>	<u>\$ 2,967</u>	<u>\$ 1,528</u>	<u>\$ 86,243</u>

**UNIONVILLE-SEBEWAING AREA SCHOOLS**

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>FOOD SERVICE</u>	<u>ATHLETIC ACTIVITIES</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<b>REVENUE:</b>				
Local sources:				
Sale of meals	\$ 143,715			\$ 143,715
Miscellaneous & donations	17,886	\$ 8,419		26,306
Admissions and entry fees		58,813		58,813
Earnings on investments	2,461	202	77	2,740
Total local sources	164,063	67,434	77	231,574
State sources	31,331			31,331
Federal sources:				
Reimbursements	126,123			126,123
Commodities	25,007			25,007
<b>TOTAL REVENUE</b>	<u>346,524</u>	<u>67,434</u>	<u>77</u>	<u>414,035</u>
<b>EXPENDITURES:</b>				
Food	156,814			156,814
Salaries and wages	136,066	109,225		245,291
Employee benefits	48,490	28,894		77,384
Officials		22,628		22,628
Conferences & Workshops		1,809		1,809
Supplies	8,128	20,919		29,047
Repairs	5,307			5,307
Transportation	627	19,417		20,044
Miscellaneous	14,132	19,128	2,000	35,260
Capital outlay	1,806	2,312	46,549	50,667
<b>TOTAL EXPENDITURES</b>	<u>371,370</u>	<u>224,331</u>	<u>48,549</u>	<u>644,250</u>
<b>EXCESS OF REVENUE (UNDER)</b>				
<b>EXPENDITURES</b>	<u>(24,847)</u>	<u>(156,897)</u>	<u>(48,472)</u>	<u>(230,215)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfer from other funds		146,391		146,391
QZAB bond proceeds			50,000	50,000
<b>TOTAL OTHER FINANCING SOURCES</b>		<u>146,391</u>	<u>50,000</u>	<u>196,391</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b>	<u>(24,847)</u>	<u>(10,506)</u>	<u>1,528</u>	<u>(33,825)</u>
<b>FUND BALANCE - JULY 1</b>	100,212	13,473		113,685
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 75,365</u>	<u>\$ 2,967</u>	<u>\$ 1,528</u>	<u>\$ 79,860</u>

**UNIONVILLE-SEBEWAING AREA SCHOOLS**

**STUDENT ACTIVITY FUND  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
AND CHANGE IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>FUND BALANCE</u> <u>JULY 1, 2007</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>FUND BALANCE</u> <u>JUNE 30, 2008</u>
<b>HIGH SCHOOL:</b>				
Class of 2007	\$ 2,137			\$ 2,137
Class of 2008	622	\$ 3,241	\$ 2,552	1,311
Class of 2009	1,284	2,531	3,070	745
Class of 2010	200	2,170	1,010	1,360
Class of 2011		585	35	550
Baseball	327	1,265	1,558	34
Boys basketball		3,085	2,552	533
Cheerleaders	320			320
FCCLA	202	599	476	325
FFA	378	10,601	6,611	4,368
Flower fund	987		353	634
Football lift-a-thon	935	12,966	9,690	4,211
Foreign language	151			151
Girl's basketball	1,662	793	1,857	598
Guidance fund	1,235	1,064	1,151	1,148
Drama	283	2,774	2,000	1,057
National Honor Society	292	110	257	145
PE II	499	4,459	1,727	3,231
Photography	171	2,009	1,999	181
PHP	1,620	1,599	2,452	767
Physics	25			25
Piano	3,581	360	3,058	883
Pop	1,058	3,306	1,181	3,183
Senior banquet		300	140	160
Softball	129	9,477	9,483	123
Soccer	128			128
Technology	308			308
Volleyball		990	100	890
Wrestling	170			170
Yearbook	1,037	13,962	10,874	4,125
<b>TOTAL HIGH SCHOOL</b>	<u>19,741</u>	<u>78,246</u>	<u>64,186</u>	<u>33,801</u>
<b>MIDDLE SCHOOL:</b>				
Class of 2012	2,591	36,392	36,155	2,828
Class of 2013	576	871		1,447
Class of 2014		678		678
Activity fund	1,292	5,144	5,790	646
Fifth grade camp	753	7,538	7,425	866
Flower and pop fund	1,647	307	75	1,879
Fundraiser	1,005	11,240	12,245	-
Pavers		1,075		1,075
Yearbook	33			33
<b>TOTAL MIDDLE SCHOOL</b>	<u>7,897</u>	<u>63,245</u>	<u>61,690</u>	<u>9,452</u>
<b>TOTALS</b>	<u>\$27,638</u>	<u>\$ 141,491</u>	<u>\$ 125,876</u>	<u>\$43,253</u>

# UNIONVILLE-SEBEWAING AREA SCHOOLS

## COMPARATIVE SCHEDULE OF GENERAL FUND REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE FOR THE YEARS ENDED JUNE 30,

	<u>2008</u>		<u>2007</u>		<u>2006</u>		<u>2005</u>		<u>2004</u>	
<b>REVENUE:</b>										
Local sources	\$ 824,156	12.1 %	\$ 767,364	10.9 %	\$ 691,866	10.1 %	\$ 782,235	11.6 %	\$ 656,128	9.8 %
State sources	5,576,893	82.0	5,852,931	82.9	5,798,136	84.3	5,572,555	82.7	5,832,285	84.5
Federal sources	368,998	5.4	373,242	5.3	385,773	5.6	381,434	5.7	319,279	4.8
Other sources	32,798	0.5	69,105	1.0	-	-	-	-	55,748	0.1
<b>TOTAL REVENUE</b>	<b>6,802,844</b>	<b>100.0 %</b>	<b>7,062,643</b>	<b>100.0 %</b>	<b>6,875,775</b>	<b>100.0 %</b>	<b>6,736,224</b>	<b>100.0 %</b>	<b>6,663,440</b>	<b>100.0 %</b>
<b>EXPENDITURES:</b>										
Instruction:										
Basic programs:										
Elementary	1,392,569	20.2 %	1,332,685	18.8 %	1,312,686	18.4 %	1,251,892	18.8 %	1,192,541	17.9 %
Middle School	811,340	11.8	951,479	13.4	1,007,015	14.1	881,494	13.3	1,002,911	15.1
High School	1,157,733	16.8	1,244,743	17.5	1,316,680	18.5	1,182,194	17.8	1,117,330	16.8
Added needs:										
Special education	284,291	4.1	296,028	4.2	308,049	4.3	290,027	4.4	342,118	5.1
Vocational education	54,297	0.8	53,100	0.7	84,514	1.2	82,819	1.2	90,796	1.4
Compensatory education	296,492	4.3	289,567	4.1	308,395	4.3	293,724	4.4	254,928	3.8
At risk	103,143	1.5	92,574	1.3	107,298	1.5	111,027	1.7	110,843	1.7
Other added needs	41,501	0.6	10,455	0.1	11,826	0.2	24,893	0.4	25,942	0.4
<b>Total Instruction</b>	<b>4,141,366</b>	<b>60.1</b>	<b>4,270,631</b>	<b>60.1</b>	<b>4,456,463</b>	<b>62.5</b>	<b>4,118,070</b>	<b>62.0</b>	<b>4,137,408</b>	<b>62.2</b>
Supporting services:										
Pupil services	152,727	2.2	167,209	2.4	169,314	2.4	168,243	2.5	160,626	2.4
Instruction	45,539	0.7	121,636	1.7	99,318	1.4	102,222	1.5	98,793	1.5
General administration	232,867	3.4	233,028	3.3	229,194	3.2	208,485	3.1	203,751	3.1
School administration	483,876	7.0	510,625	7.2	442,457	6.2	466,954	7.0	438,949	6.6
Business administration:										
Fiscal services	151,483	2.2	132,934	1.9	125,576	1.8	148,476	2.2	114,442	1.7
Technology support	155,550	2.3	160,337	2.3	190,995	2.7	135,254	2.0	129,638	1.9
Operations and maintenance	933,245	13.5	888,818	12.5	856,493	12.0	766,718	11.5	776,641	11.7
Pupil transportation	370,774	5.4	384,513	5.4	328,807	4.6	284,314	4.3	370,724	5.6
<b>Total supporting services</b>	<b>2,526,062</b>	<b>36.6</b>	<b>2,599,098</b>	<b>36.6</b>	<b>2,442,154</b>	<b>34.2</b>	<b>2,280,666</b>	<b>34.3</b>	<b>2,293,563</b>	<b>34.5</b>

**UNIONVILLE-SEBEWAING AREA SCHOOLS**

**COMPARATIVE SCHEDULE OF GENERAL FUND REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE  
FOR THE YEARS ENDED JUNE 30,**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>EXPENDITURES: (CONTINUED)</b>					
Debt service:					
Principal retirement	21,410	18,586	36,881	56,879	56,739
Interest and fiscal charges	<u>67,223</u>	<u>45,932</u>	<u>31,639</u>	<u>32,213</u>	<u>20,915</u>
Total debt service	88,633	64,518	68,520	89,092	77,654
				1.3	1.2
Outgoing transfers	146,391	160,148	163,338	154,778	142,423
				2.3	2.1
<b>TOTAL EXPENDITURES</b>	<u>6,902,451</u>	<u>7,094,394</u>	<u>7,130,475</u>	<u>6,642,606</u>	<u>6,651,048</u>
				99.9	100.0
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES *</b>	<u>(99,607)</u>	<u>(31,751)</u>	<u>(254,700)</u>	<u>93,617</u>	<u>12,392</u>
				1.4	0.2
<b>FUND BALANCE - JULY 1</b>	803,443	835,194	1,089,894	996,277	983,885
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 703,836</u>	<u>\$ 803,443</u>	<u>\$ 835,194</u>	<u>\$ 1,089,894</u>	<u>\$ 996,277</u>

\*Stated as a percentage of total revenue

# UNIONVILLE-SEBEWAING AREA SCHOOLS

## SCHEDULES OF GENERAL FUND REVENUE

	YEARS ENDED JUNE 30,	
	<u>2008</u>	<u>2007</u>
<b>REVENUE FROM LOCAL SOURCES:</b>		
Property tax:		
Current tax levy	\$ 695,798	\$ 627,938
Delinquent taxes	7,004	6,730
Tuition	3,330	5,155
Earnings on investments	52,785	57,746
Rentals	3,816	2,185
Head Start	22,072	22,072
Universal service fund	9,227	6,854
Special education billback	24,764	24,764
Sale of fixed assets	-	2,041
Miscellaneous	5,359	11,879
<b>TOTAL REVENUE FROM LOCAL SOURCES</b>	<u>824,156</u>	<u>767,364</u>
<b>REVENUE FROM STATE SOURCES:</b>		
State aid - Restricted	237,545	246,858
Other state aid revenue	5,339,348	5,606,073
<b>TOTAL REVENUE FROM STATE SOURCES</b>	<u>5,576,893</u>	<u>5,852,931</u>
<b>REVENUE FROM FEDERAL SOURCES:</b>		
Federal aid, restricted-		
Received through the State:		
Title I grant	294,038	290,212
Title V grant	984	1,068
Title VI grant	29,397	25,528
Title II, Part A -Tech. Literacy Challenge	2,818	2,885
Title II, Part D -Improving Teacher Quality	30,673	50,711
Service Provider Self Review	4,000	
Received through ISD:		
Vocational Educ. Technology Prep.	2,981	2,000
Safe & Drug-free Schools & Communities	4,107	838
<b>TOTAL REVENUE FROM FEDERAL SOURCES</b>	<u>368,998</u>	<u>373,242</u>
<b>OTHER FINANCING SOURCES:</b>		
Bus note proceeds		64,229
Insurance claim proceeds	32,798	
Transfer from other funds	-	4,876
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>32,798</u>	<u>69,105</u>
<b>TOTAL REVENUE AND OTHER FINANCING SOURCES</b>	<u>\$ 6,802,844</u>	<u>\$ 7,062,643</u>

# UNIONVILLE-SEBEWAING AREA SCHOOLS

## SCHEDULES OF GENERAL FUND EXPENDITURES

	YEARS ENDED JUNE 30,	
	<u>2008</u>	<u>2007</u>
<b>INSTRUCTION:</b>		
<b>Basic programs:</b>		
<b>Preschool:</b>		
Teacher salaries	\$ 21,174	\$ 20,790
Substitute teacher salaries	290	46
Employee benefits	10,582	10,643
Local travel	59	122
Workshops and conferences	-	508
Teaching supplies	1,160	943
<b>Total preschool</b>	<u>33,266</u>	<u>33,052</u>
<b>Elementary:</b>		
Teacher salaries	845,374	779,593
Teacher aide salaries	35,907	40,206
Substitute teacher salaries	13,272	11,358
Employee benefits	444,103	427,697
Unemployment compensation	-	8
Local travel	492	795
Workshops and conferences	1,110	1,574
Purchased services	1,504	1,440
Textbooks	-	71
Teaching supplies and materials	16,171	35,596
Miscellaneous supplies	1,371	1,295
<b>Total elementary</b>	<u>1,359,304</u>	<u>1,299,633</u>
<b>Middle school:</b>		
Teacher salaries	491,249	575,327
Teacher aide salaries	5,962	11,937
Substitute teacher salaries	17,604	21,205
Other nonathletic salaries	15,923	14,967
Employee benefits	266,836	310,459
Workshops and conferences	110	615
Purchased services	1,106	1,033
Teaching supplies and materials	7,754	11,705
Textbooks	2,233	1,528
Miscellaneous supplies	2,563	2,702
<b>Total middle school</b>	<u>811,340</u>	<u>951,479</u>

# UNIONVILLE-SEBEWAING AREA SCHOOLS

## SCHEDULES OF GENERAL FUND EXPENDITURES

	YEARS ENDED	
	JUNE 30,	
	<u>2008</u>	<u>2007</u>
<b>INSTRUCTION: (CONTINUED)</b>		
<b>Basic programs: (CONTINUED)</b>		
<b>High school:</b>		
Teacher salaries	690,756	756,172
Teacher aide salaries	235	1,071
Substitute teacher salaries	20,895	15,828
Other nonathletic salaries	24,683	27,841
Employee benefits	331,970	379,258
Tuition	19,816	26,325
Workshops and conferences	667	1,378
Purchased services	4,183	4,701
Teaching supplies and materials	51,732	22,187
Textbooks	7,907	5,500
Miscellaneous supplies	4,889	4,480
<b>Total high school</b>	<u>1,157,733</u>	<u>1,244,743</u>
<b>Added needs:</b>		
<b>Special education:</b>		
Teacher salaries	166,684	169,311
Teacher aide salaries	24,071	23,917
Substitute teacher salaries	2,488	4,157
Employee benefits	90,850	98,643
Teaching supplies and materials	198	
<b>Total special education</b>	<u>284,291</u>	<u>296,028</u>
<b>Vocational education:</b>		
Teacher salaries	32,272	31,797
Substitute teacher salaries	581	1,203
Employee benefits	20,041	18,895
Workshops and conferences	519	601
Teaching supplies and materials	885	604
<b>Total vocational education</b>	<u>54,297</u>	<u>53,100</u>

# UNIONVILLE-SEBEWAING AREA SCHOOLS

## SCHEDULES OF GENERAL FUND EXPENDITURES

	YEARS ENDED	
	JUNE 30,	
	<u>2008</u>	<u>2007</u>
<b>INSTRUCTION: (CONTINUED)</b>		
<b>Added needs: (Continued)</b>		
<b>Compensatory education:</b>		
Teacher salaries	143,033	145,860
Teacher aide salaries	46,241	38,290
Substitute teacher salaries	415	974
Employee benefits	84,256	78,515
Local travel and conferences	1,477	1,582
Audit fees	750	750
Supplies and materials	19,334	22,528
Title V expenditures	984	1,068
<b>Total compensatory education</b>	<u>296,492</u>	<u>289,567</u>
<b>At risk education:</b>		
Teacher salaries	50,689	54,367
Teacher aide salaries	12,129	1,500
Employee benefits	26,429	23,963
Teaching supplies	11,927	10,955
Miscellaneous expense	1,970	1,790
<b>Total at risk education</b>	<u>103,143</u>	<u>92,574</u>
<b>Title II</b>		
Teacher salaries	4,400	
Teacher aide salaries	7,306	
Employee benefits	3,353	
Purchase services	7,630	
Teaching supplies and materials	7,985	
<b>Total Title II</b>	<u>30,673</u>	<u>-</u>
<b>Band:</b>		
Clinician fees	1,912	1,995
Teaching supplies (M.S.)	1,098	1,019
Teaching supplies (H.S.)	2,306	2,027
Awards (M.S.)	206	280
Awards (H.S.)	813	728
Entry Fees (M.S.)	348	361
Entry Fees (H.S.)	511	416
Instruments	2,250	2,167
Instrument repairs	1,384	1,461
<b>Total band</b>	<u>10,828</u>	<u>10,455</u>
<b>TOTAL INSTRUCTION</b>	<u>4,141,366</u>	<u>4,270,631</u>

**UNIONVILLE-SEBEWAING AREA SCHOOLS**  
**SCHEDULES OF GENERAL FUND EXPENDITURES**

	YEARS ENDED JUNE 30,	
	<u>2008</u>	<u>2007</u>
<b>SUPPORTING SERVICES:</b>		
<b>Pupil services:</b>		
<b>Guidance services:</b>		
Guidance counselor salaries	36,382	35,190
Secretarial salaries	28,219	36,604
Employee benefits	38,079	48,176
Workshops and conferences	646	825
Testing supplies	1,454	654
Office supplies	940	1,142
<b>Total guidance services</b>	<u>105,719</u>	<u>122,591</u>
<b>Crossing guards:</b>		
Crossing guard salaries	1,484	1,541
Employee benefits	789	813
<b>Total crossing guards</b>	<u>2,273</u>	<u>2,354</u>
<b>Community Education:</b>		
Director salary	25,358	30,336
Employee benefits	19,377	11,928
<b>Total community education</b>	<u>44,736</u>	<u>42,264</u>
<b>Instruction:</b>		
<b>Library:</b>		
Librarian salaries	-	53,810
Library aide salaries	22,438	21,028
Employee benefits	5,505	29,870
Library books	4,883	4,950
Periodicals	1,581	1,766
Library supplies	720	1,358
<b>Total library</b>	<u>35,127</u>	<u>112,782</u>
<b>Audiovisual:</b>		
Repair of equipment	120	-
Supplies	10,292	8,854
<b>Total audiovisual</b>	<u>10,412</u>	<u>8,854</u>

**UNIONVILLE-SEBEWAING AREA SCHOOLS**  
**SCHEDULES OF GENERAL FUND EXPENDITURES**

	YEARS ENDED JUNE 30,	
	<u>2008</u>	<u>2007</u>
<b>SUPPORTING SERVICES: (CONTINUED)</b>		
<b>General administration:</b>		
<b>Board of education:</b>		
Board salaries	4,130	4,130
Legal fees	11,058	8,046
Auditing and accounting services	7,150	7,000
Workshops and conferences	2,295	3,886
Marketing	14,803	15,997
Insurance and bonds	3,544	3,921
Election expense	1,151	324
Miscellaneous supplies	10,566	7,834
Dues and fees	2,120	2,240
<b>Total board of education</b>	<u>56,818</u>	<u>53,379</u>
<b>Executive administration:</b>		
Superintendent salary	96,000	92,775
Secretarial salaries	13,240	20,549
Employee benefits	48,099	47,637
Workshops and conferences	1,150	242
North Central accreditation	8,219	9,082
Office supplies	2,347	1,161
Miscellaneous supplies	6,134	7,239
Dues and fees	860	964
<b>Total executive administration</b>	<u>176,049</u>	<u>179,649</u>
<b>School administration:</b>		
Principal salaries	243,041	252,869
Secretarial salaries	75,152	77,901
Employee benefits	158,655	172,970
Local travel	3,240	2,827
Workshops and conferences	1,378	500
Office supplies	1,817	2,233
Dues and fees	593	1,324
<b>Total school administration</b>	<u>483,876</u>	<u>510,625</u>
<b>Business administration:</b>		
<b>Fiscal services:</b>		
Accounting salaries	88,901	83,596
Employee benefits	42,074	35,386
Legal fees	9,445	7,220
Abated taxes	5,527	1,000
Workshops and conferences	-	110
Advertising	704	643
Office supplies	4,707	4,854
Dues and fees	124	124
<b>Total fiscal services</b>	<u>151,483</u>	<u>132,934</u>

**UNIONVILLE-SEBEWAING AREA SCHOOLS**  
**SCHEDULES OF GENERAL FUND EXPENDITURES**

	YEARS ENDED JUNE 30,	
	<u>2008</u>	<u>2007</u>
<b>SUPPORTING SERVICES: (CONTINUED)</b>		
Business administration: (Continued)		
Technology support:		
Technology salaries	44,607	43,335
Technology aide	16,811	17,057
Employee benefits	30,584	36,737
Contracts	20,389	13,987
Repairs	5,634	4,445
Supplies	23,316	26,242
Capital outlay	14,209	18,534
<b>Total technology support</b>	<u>155,550</u>	<u>160,337</u>
Operation and maintenance of plant:		
Custodian salaries	228,406	251,417
Employee benefits	148,640	143,469
Workshops	377	355
Telephone	16,219	14,534
Heating fuel	120,774	113,761
Electricity	201,949	210,112
Water and sewage	11,422	17,315
Waste and trash disposal	2,217	1,664
Insurance-Public liability	8,222	9,442
Insurance-Building	12,731	14,233
Repairs-Land and buildings	20,195	21,396
Repairs-Equipment	3,550	2,429
Grounds-Mower	2,408	2,536
Purchased services - Buildings	111,381	47,244
Purchased services - Equipment	13,146	12,281
Custodial supplies	31,608	26,630
<b>Total operation and maintenance of plant</b>	<u>933,245</u>	<u>888,818</u>
Pupil transportation:		
Transportation supervisor salary	5,234	5,132
Bus mechanic salary	36,087	35,044
Bus driver salaries	107,723	109,242
Special run salaries	1,489	1,839
Secretarial salaries	14,767	12,918
Transportation aide salaries	10,754	10,720
Employee benefits	65,670	69,674
Workshops	-	45
Bus driver physicals	959	837
Local travel	452	34
Heating fuel and electricity	8,301	8,549
Insurance	4,207	4,779
Repairs and maintenance	3,871	2,702

**UNIONVILLE-SEBEWAING AREA SCHOOLS**  
**SCHEDULES OF GENERAL FUND EXPENDITURES**

	<b>YEARS ENDED</b>	
	<b>JUNE 30,</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>SUPPORTING SERVICES: (CONTINUED)</b>		
<b>Pupil transportation: (Continued)</b>		
Gasoline	57,540	36,681
Oil & Grease	3,410	2,357
Tires	3,942	4,270
Vehicle repair parts	10,452	13,939
Other supplies	35,791	1,396
Dues and fees	125	125
Capital outlay		64,229
<b>Total pupil transportation</b>	<b>370,774</b>	<b>384,513</b>
<b>TOTAL SUPPORTING SERVICES</b>	<b><u>2,526,062</u></b>	<b><u>2,599,098</u></b>
<b>DEBT SERVICE:</b>		
<b>Principal retirement:</b>		
Bus contracts	21,410	18,586
<b>Total principal retirement</b>	<b><u>21,410</u></b>	<b><u>18,586</u></b>
<b>Interest and fiscal charges:</b>		
Bus contracts	3,093	639
Tax anticipation notes	64,130	45,293
<b>Total Interest and fiscal charges</b>	<b><u>67,223</u></b>	<b><u>45,932</u></b>
<b>TOTAL DEBT SERVICE</b>	<b><u>88,633</u></b>	<b><u>64,518</u></b>
<b>TOTAL EXPENDITURES</b>	<b><u>6,756,060</u></b>	<b><u>6,934,246</u></b>
<b>OTHER FINANCING USES:</b>		
Operating transfers to other funds	146,391	160,148
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b><u>\$ 6,902,451</u></b>	<b><u>\$ 7,094,394</u></b>

**UNIONVILLE-SEBEWAING AREA SCHOOLS**

**STUDENT ACTIVITY FUND - BOARD CONTROLLED ACCOUNTS  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>NET RECEIPTS (DISBURSEMENTS)</u>
<b>HIGH SCHOOL:</b>			
Band	\$ 9,404	\$ 8,043	\$ 1,361
Choir	693	763	(70)
Book	120		120
Education development	230	664	(434)
Industrial arts	336		336
Interest	1		1
Library	24	15	9
Office	1,497	1,601	(104)
Student council	3,766	5,384	(1,618)
<b>TOTAL HIGH SCHOOL</b>	<u>16,071</u>	<u>16,470</u>	<u>(399)</u>
<b>MIDDLE SCHOOL:</b>			
Book	7		7
Teacher appreciation	250	80	170
Interest	110	117	(7)
Library	4,130	3,687	443
Locks	305	250	55
Office	60	185	(125)
Student council	2,519	2,099	420
Special Education	1,440		1,440
<b>TOTAL MIDDLE SCHOOL</b>	<u>8,821</u>	<u>6,418</u>	<u>2,403</u>
<b>ELEMENTARY:</b>			
Activity	64,833	66,190	(1,357)
<b>TOTALS</b>	<u>\$ 89,725</u>	<u>\$ 89,078</u>	<u>\$ 647</u>

# UNIONVILLE-SEBEWAING AREA SCHOOLS

## SCHEDULE OF BONDED INDEBTEDNESS ISSUE DATED NOVEMBER 1, 2001 AT JUNE 30, 2008

<u>MATURITY</u> <u>DATE</u>	<u>PRINCIPAL</u>	<u>RATE</u>	<u>INTEREST</u> <u>AMOUNT</u>	<u>TOTAL</u>
11/1/2007			\$ 33,000	\$ 33,000
Current year payment			(33,000)	(33,000)
5/1/2008	\$ 275,000	5.00%	33,000	308,000
Current year payment	(275,000)		(33,000)	(308,000)
11/1/2008			26,125	26,125
5/1/2009	275,000	5.00%	26,125	301,125
11/1/2009			19,250	19,250
5/1/2010	275,000	5.00%	19,250	294,250
11/1/2010			12,375	12,375
5/1/2011	275,000	5.00%	12,375	287,375
11/1/2011			5,500	5,500
5/1/2012	275,000	4.00%	5,500	280,500
	<u>\$ 1,100,000</u>		<u>\$ 126,500</u>	<u>\$ 1,226,500</u>

Bonds in the amount of \$11,000,000 were issued to defray the cost of erecting, furnishing and equipping a new elementary school, constructing and equipping a physical education/athletic field and playground, and acquiring, developing and improving a site therefore, erecting, furnishing and equipping an addition to and partially remodeling the high school for a new auditorium; acquiring, installing, and equipping technology for the new elementary school and the new auditorium; and developing and improving the sites. In 2006, \$8,520,000 in bonds were refunded.

**UNIONVILLE-SEBEWAING AREA SCHOOLS**

**SCHEDULE OF BONDED INDEBTEDNESS**

**2003 REFUNDING BONDS**

**ISSUE DATED MARCH 24, 2003 AT JUNE 30, 2008**

<u>MATURITY DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		<u>TOTAL</u>
		<u>RATE</u>	<u>AMOUNT</u>	
11/1/2007			\$ 76,111	\$ 76,111
Current year payment			(76,111)	(76,111)
5/1/2008	\$ 400,000	2.75%	76,111	476,111
Current year payment	(400,000)		(76,111)	(476,111)
11/1/2008			70,611	70,611
5/1/2009	425,000	3.13%	70,611	495,611
11/1/2009			63,970	63,970
5/1/2010	460,000	3.38%	63,970	523,970
11/1/2010			56,208	56,208
5/1/2011	500,000	3.50%	56,208	556,208
11/1/2011			47,458	47,458
5/1/2012	540,000	3.63%	47,457	587,457
11/1/2012			37,670	37,670
5/1/2013	530,000	3.75%	37,670	567,670
11/1/2013			27,733	27,733
5/1/2014	515,000	3.55%	27,733	542,733
11/1/2014			18,591	18,591
5/1/2015	505,000	3.65%	18,591	523,591
11/1/2015			9,375	9,375
5/1/2016	500,000	3.75%	9,375	509,375
	<u>\$ 3,975,000</u>		<u>\$ 663,231</u>	<u>\$ 4,638,231</u>

Total amount of original issue was \$5,700,000.

# UNIONVILLE-SEBEWAING AREA SCHOOLS

## SCHEDULE OF BONDED INDEBTEDNESS 2006 REFUNDING BONDS ISSUE DATED JANUARY 23, 2006 AT JUNE 30, 2008

<u>MATURITY</u> <u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u> <u>RATE</u>	<u>AMOUNT</u>	<u>TOTAL</u>
11/1/2007			\$ 170,774	\$ 170,774
Current year payment			(170,774)	(170,774)
5/1/2008	\$ 25,000	3.35%	170,774	195,774
Current year payment	(25,000)		(170,774)	(195,774)
11/1/2008			170,355	170,355
5/1/2009	25,000	3.40%	170,355	195,355
11/1/2009			169,930	169,930
5/1/2010	25,000	3.45%	169,930	194,930
11/1/2010			169,499	169,499
5/1/2011	25,000	3.50%	169,499	194,499
11/1/2011			169,061	169,061
5/1/2012	25,000	3.75%	169,061	194,061
11/1/2012			168,593	168,593
5/1/2013	350,000	4.00%	168,593	518,593
11/1/2013			161,593	161,593
5/1/2014	400,000	4.00%	161,593	561,593
11/1/2014			153,593	153,593
5/1/2015	445,000	4.00%	153,593	598,593
11/1/2015			144,693	144,693
5/1/2016	485,000	4.00%	144,693	629,693
11/1/2016			134,993	134,993
5/1/2017	610,000	4.00%	134,993	744,993
11/1/2017			122,793	122,793
5/1/2018	610,000	4.00%	122,793	732,793
11/1/2018			110,593	110,593
5/1/2019	610,000	3.80%	110,593	720,593
11/1/2019			99,003	99,003
5/1/2020	610,000	3.80%	99,003	709,003
11/1/2020			87,413	87,413
5/1/2021	610,000	4.00%	87,413	697,413
11/1/2021			75,213	75,213
5/1/2022	610,000	4.00%	75,213	685,213
11/1/2022			63,013	63,013
5/1/2023	610,000	4.00%	63,013	673,013
11/1/2023			50,813	50,813
5/1/2024	610,000	4.05%	50,813	660,813

**UNIONVILLE-SEBEWAING AREA SCHOOLS**

**SCHEDULE OF BONDED INDEBTEDNESS**

**2006 REFUNDING BONDS**

**ISSUE DATED JANUARY 23, 2006 AT JUNE 30, 2008**

<b>MATURITY</b>			<b><u>INTEREST</u></b>	
<b><u>DATE</u></b>	<b><u>PRINCIPAL</u></b>	<b><u>RATE</u></b>	<b><u>AMOUNT</u></b>	<b><u>TOTAL</u></b>
11/1/2024			38,460	38,460
5/1/2025	610,000	4.13%	38,460	648,460
11/1/2025			25,879	25,879
5/1/2026	610,000	4.20%	25,879	635,879
11/1/2026			13,069	13,069
5/1/2027	615,000	4.25%	13,069	628,069
	<u>\$ 8,495,000</u>		<u>\$ 4,257,104</u>	<u>\$ 12,752,104</u>

\$8,250,000 of 2001 Bonds were refunded as presented in above schedule.

**UNIONVILLE-SEBEWAING AREA SCHOOLS**  
**SCHEDULE OF BORROWINGS-STATE OF MICHIGAN**  
**SCHOOL BOND LOAN FUND**  
**JUNE 30, 2008**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan Fund. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State of Michigan under this program have been summarized as follows:

<u>Years ended June 30,</u>	<u>Loan proceeds</u>	<u>Accrued interest</u>	<u>Net increase</u>	<u>Balance</u>
2004	\$ 54,749	\$ 1,054	\$ 55,803	\$ 55,803
2005	101,513	3,836	105,349	161,152
2006	45,839	8,013	53,852	215,004
2007	112,616	14,110	126,726	341,730
2008	60,363	17,427	77,790	419,520

**UNIONVILLE-SEBEWAING AREA SCHOOLS**  
**SCHEDULE OF BUS CONTRACTS PAYABLE**

**Bus contracts** at June 30, 2008, are comprised of the following items:

November 14, 2006, bus contract due in equal annual principal installments of \$21,410 through November 13, 2009. Interest at 4.75%.	\$ 42,819
<b>Total</b>	<u><u>\$ 42,819</u></u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Unionville-Sebewaing Area Schools  
Sebewaing, Michigan 48759

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Unionville-Sebewaing Area School District as of and for the year ended June 30, 2008, which collectively comprise Unionville-Sebewaing Area Schools basic financial statements and have issued our report thereon dated August 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Unionville-Sebewaing Area School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Unionville-Sebewaing Area School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Unionville-Sebewaing Area School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Unionville-Sebewaing Area School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Unionville-Sebewaing Area School District's financial statements that is more than inconsequential will not be prevented or detected by Unionville-Sebewaing Area School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Unionville-Sebewaing Area School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Unionville-Sebewaing Area School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
NIETZKE & FAUPEL, P.C.  
Sebewaing, Michigan

September 15, 2008



Partners: Donald C. Faupel, CPA Jeffrey P. Bushey, CPA  
Consultant: Allan W. Nietzke, CPA  
Principals: Eugene R. Gascho, COO  
Brian V. Hazard, CPA JoAnn E. Lakie, CPA

Members of: Michigan Association of Certified Public Accountants • American Institute of Certified Public Accountants

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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Unionville-Sebewaing Area Schools  
Sebewaing, Michigan 48759

**Compliance**

We have audited the compliance of Unionville-Sebewaing Area Schools, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Unionville-Sebewaing Area School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Unionville-Sebewaing Area School's management. Our responsibility is to express an opinion on Unionville-Sebewaing Area School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Unionville-Sebewaing Area School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Unionville-Sebewaing Area School's compliance with those requirements.

In our opinion, Unionville-Sebewaing Area Schools, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

**Internal Control Over Compliance**

The management of Unionville-Sebewaing Area Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Unionville-Sebewaing Area School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Unionville-Sebewaing Area School District's internal control over compliance.

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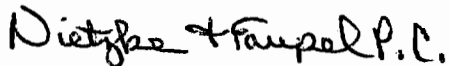
Circular 230 Disclosure: To the extent the above contains an opinion on one or more federal tax issues, such opinion was not written to be used and cannot be used for the purpose of avoiding penalties.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
NIETZKE & FAUPEL, P.C.  
Sebewaing, Michigan

September 15, 2008

**UNIONVILLE-SEBEWAING AREA SCHOOLS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

There were no findings or questioned costs for the year ended June 30, 2007.

**UNIONVILLE-SEBEWAING AREA SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**A. SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) that are not considered to be material weakness? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) that are not considered to be material weakness? ☐ Yes ☒ None reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555	Child Nutrition Section 4
10.555	Child Nutrition Section 11
10.553	Child Nutrition Breakfast
10.550	Bonus and Entitlement Commodities

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low risk auditee? ☒ Yes ☐ No

**UNIONVILLE-SEBEWAING AREA SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**B. FINDINGS-FINANCIAL STATEMENTS AUDIT**

1. None.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

1. None.

**UNIONVILLE-SEBEWAING AREA SCHOOLS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor</u> <u>Pass Through Grantor</u> <u>Program Title Grant Number</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Approved</u> <u>Grant Award</u> <u>Amount</u>	<u>(Memo Only)</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Accrued or</u> <u>(Deferred)</u> <u>Revenue at</u> <u>July 1, 2007</u>	<u>Adjustments</u> <u>and Transfers</u>	<u>Current Year</u> <u>Receipts</u> <u>(Cash Basis)</u>	<u>Current</u> <u>Year</u> <u>Expenditures</u>	<u>Accrued or</u> <u>(Deferred)</u> <u>Revenue</u> <u>June 30, 2008</u>
<b>U.S. Department of Agriculture</b>								
<i>Child Nutrition Cluster:</i>								
Passed Through MDE								
Section 4 All Lunches	10.555	\$ 22,199				\$ 22,199	\$ 22,199	
Section 11 Free & Reduced	10.555	81,017				81,017	81,017	
NSL Snacks	10.555	4				4	4	
Total		103,220				103,220	103,220	
Breakfast								
Total Child Nutrition Cluster	10.553	22,903				22,903	22,903	
		126,123				126,123	126,123	
Bonus Commodities	10.550	701				701	701	
Entitlement Commodities	10.550	24,306				24,306	24,306	
Total Commodities		25,007				25,007	25,007	
Total Passed Through MDE		151,130				151,130	151,130	
Total U.S. Department of Agriculture		151,130				151,130	151,130	
<b>U.S. Department of Education</b>								
Passed Through Michigan Dept. of Education								
Title I Part A Imp Basic Program								
071530-0607	84.010	282,221	\$	277,426	\$	41,451	6,265	
081530-0708	84.010	306,145				289,243	289,243	
		588,366		277,426		330,694	295,508	
Service Provider Self Review								
080440-0708	84.027	4,000				4,000	4,000	

# UNIONVILLE-SEBEWAING AREA SCHOOLS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued or (Deferred) Revenue at July 1, 2007	Adjustments and Transfers	Current Year Receipts (Cash Basis)	Current Year Expenditures	Accrued or (Deferred) Revenue June 30, 2008
Title V LEA Allocation 080250-0708	84.298	984				984	984	
Enhancing Education Through Technology Title II Part D - 084290-0708	84.318	2,818				2,818	2,818	
Teacher/Principal Training & Recruiting Title II Part A - 080520-0708	84.367	50,675				30,673	30,673	
Rural & Low Income Schools Title VI Part B - 070660-0607	84.358B	25,638	7,234			18,404	18,404	
Title VI Part B - 080660-0708	84.358B	26,138				10,993	10,993	
		51,776	7,234			29,397	29,397	
Total Passed Through MDE		698,619	284,660	36,656	1,470	398,566	363,380	
Passed Through ISD Safe & Drug-free Schools & Communities 082860/0708	84.186	2,822		(1,285)		2,822	2,822	
072860/0607	84.186	1,285		(1,285)		2,822	1,285	
		4,107					4,107	
Tech Prep Grant	84.243A	2,981				2,981	2,981	
Total Passed Through ISD		7,088		(1,285)		5,803	7,088	
Total U.S. Department of Education		705,707	284,660	35,371	1,470	404,369	370,468	
Total Federal Financial Assistance		\$ 856,837	\$ 284,660	\$ 35,371	\$ 1,470	\$ 555,499	\$ 521,598	

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

1. The Schedule of Expenditures of Federal Awards is a summary of the cash activity of the District's federal awards and does not present transactions that would be included in financial statements of the District presented on the accrual basis of accounting, as contemplated by generally accepted accounting principles.
2. Expenditures on this schedule reconcile with amounts reported in the financial statements and the financial reports submitted to the Michigan Department of Education.
3. The amounts reported on the R7120, Grants Section Auditors' Report, and the Grant Auditor Report reconcile with this schedule.
4. The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with this schedule for USDA donated food commodities.
5. The program tested as major programs were:

**6. Reconciliation to the Financial Statements:**

## 7. Reconciliation of Schedules of Federal Expenditures:

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Members of: Michigan Association of Certified Public Accountants • American Institute of Certified Public Accountants

*CPA's On Your Team*

August 15, 2008

To the Board of Education  
Unionville-Sebewaing Area Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Unionville-Sebewaing Area Schools for the year ended June 30, 2008, and have issued our report thereon dated August 15, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated November 28, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Unionville-Sebewaing Area Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Unionville-Sebewaing Area School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Unionville-Sebewaing Area School's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Unionville-Sebewaing Area School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Unionville-Sebewaing Area School's compliance with those requirements.

Circular 230 Disclosure: To the extent the above contains an opinion on one or more federal tax issues, such opinion was not written to be used and cannot be used for the purpose of avoiding penalties.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 21, 2008.

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Unionville-Sebewaing Area Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the estimated liability for compensated absences and claims and judgments and estimated fixed asset lives for depreciation.

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management estimates the lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated August 15, 2008.

#### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of Unionville-Sebewaing Area Schools and is not intended to be and should not be used by anyone other than these specified parties.

*Nietzke & Faupel P.C.*

NIETZKE & FAUPEL, PC  
SEBEWAING, MICHIGAN